Press release

Oxford Biomedica plc
Preliminary results for the year ended 31 December 2019

Building the Group for future growth

Oxford, UK – 6 May 2020: Oxford Biomedica plc (LSE: OXB), ("OXB" or "the Group"), a leading gene and cell therapy group, today announces its preliminary results for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

- Bioprocessing and commercial development revenues increased to £47.3 million (2018: £40.5 million). Despite the capacity constraints within the business, growth in full year revenues of 17% was achieved, driven by double digit growth across both activities
- Licences, milestones & royalties revenues were £16.8 million (2018: £26.3 million) with a £11.5 million ($15 million) contribution from the Axovant milestone and strongly growing royalties. These revenues were 36% lower than the prior year which saw significant licence income received on signing the Sanofi (Bioverativ) and Axovant agreements in 2018
- Total revenues decreased by 4% to £64.1 million (2018: Revenue of £66.8 million) due to lower milestone and licensing revenue
- Operating expenses increased by 57% from £26.6 million to £41.8 million reflecting investment in bioprocessing operations and people in preparation for the Oxbox bioprocessing facility coming online in 2020
- Operating EBITDA loss incurred of £5.2 million (2018: £13.4 million profit)
- Operating loss incurred of £14.5 million (2018: £13.9 million profit)
- Capital expenditure £25.8 million (2018: £10.1 million) reflecting the continued capital expenditure on the new Oxbox bioprocessing facility
- Cash of £16.2 million (31 December 2018: £32.2 million)
- Cash outflow before financing activities increased by £25.7 million to £22.9 million (2018: £2.8 million inflow)
- £53.5 million of equity raised from new Investor Novo Holdings which was used to fully repay the £43.6 million ($55 million) Oaktree loan facility

OPERATIONAL HIGHLIGHTS (including post period-end events)

Novartis partnership

- Novartis extended its commercial supply agreement by a further five years in December and extended the number of lentiviral vector programmes in the collaboration from two to five. The agreement includes a minimum of $75 million over five years in manufacturing batch revenues in addition to undisclosed process development fees, with other financial terms, such as royalties, as previously agreed
- Kymriah® roll out accelerating in relapsed and refractory B-cell acute lymphoblastic leukaemia and relapsed and refractory diffuse large B-cell lymphoma with reimbursement approved in 20 countries in at least one indication
- Continued strong performance as sole global supplier of lentiviral vector for Kymriah® CAR-T therapy

New partnerships

- Collaboration, option and licence agreement established with Santen Pharmaceutical Co Ltd for development of gene therapy vectors targeting an inherited retinal disease
- Collaboration established with Microsoft Research to leverage machine learning and cloud computing to improve process efficiency and reduce costs

Proprietary product development

- First patient dosing in second cohort of SUNRISE-PD phase II study in Parkinson's disease triggered £11.5 million ($15 million) milestone payment from partner Axovant
- The Group's partner, Axovant, announced twelve month follow-up data in January 2020 from the first cohort of the SUNRISE-PD study on two patients where a continued improvement in UPRDS Part III 'OFF' Score at twelve months over the six month data was reported

Expansion of bioprocessing and laboratory facilities

- Development of major new 84,000 sqft (7,800 sqm) bioprocessing facility on target with initial building phase completed, validation ongoing and first commercial batches anticipated H1 2020
- Occupation of new 32,000 sqft (2,970 sqm) Windrush Innovation Centre (WIC) commenced during 2019 with increased utilization expected during 2020.

Post Period Highlights

- In March new licence and five-year clinical supply agreement signed with Juno Therapeutics / Bristol Myers Squibb for initially four CAR-T and TCR-T programmes. $10 million upfront payment and up to $217 million in development, regulatory and sales related milestones in addition to undisclosed process development, scale up and batch revenues and an undisclosed royalty on sales
- In the first quarter of 2020 the Group started work on an additional vector construct for Novartis which now takes the total number of active vector constructs to six
- In April the Group has joined a Consortium led by the Jenner Institute, Oxford University, to rapidly develop, scale-up and manufacture a potential vaccine candidate for COVID-19 called ChAdOx1 nCoV-19. AstraZeneca subsequently entered into an agreement with Oxford University for the global development and distribution of the vaccine on 30th April. While the potential impact on the Group is currently uncertain, should clinical trials be successful the Group will provide access to its large scale GMP manufacturing facilities including Oxbox to support the manufacturing scale up for Oxford University and AstraZeneca.
- Subsequent to year end the Group identified an issue regarding an aspect of certain process development work performed on behalf of a customer in 2018 and 2019 which potentially could give rise to a material claim against the Group. The Group has been in communication with the third party but is not yet in a position to verify or validate any information relating to this matter due to the very recent timing of this issue being identified.

John Dawson, Chief Executive Officer of Oxford Biomedica, said:

"Oxford Biomedica made good progress during 2019, extending our commercial supply agreement with Novartis for another five years, establishing a new partnership with Santen and delivering our new facilities expansion on target. Beyond the period end we also signed a new major new agreement with Juno Therapeutics / Bristol Myers Squibb. The cell and gene therapy sector continues to grow rapidly and we remain at the forefront of its innovation. Our new collaboration with Microsoft is harnessing the power of artificial intelligence to further boost the efficiency of our world-leading LentiVector® delivery platform, as we continue the process to industrialise lentiviral vector development and manufacture. We are building an exciting business, and with the significant investment by Novo Holdings in 2019, our simplified Statement of financial position places us in a stronger position to realise the potential of our world-leading technology."

Analyst briefing

Management will be hosting a briefing for analysts via conference call and webcast at 13:00 BST (8:00 ET) on 6 May 2020.

Dial-in details are:

UK dial-in: +44 (0) 203 0095709
US dial-in: +16467871226
Participant code: 2898781

A live webcast of the presentation will be available on Oxford Biomedica's website at https://edge.media-server.com/mmc/p/5h7ea8cf

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About Oxford Biomedica
Oxford Biomedica (LSE:OXB) is a leading, fully integrated, gene and cell therapy group focused on developing life changing treatments for serious diseases. Oxford Biomedica and its subsidiaries (the "Group") have built a sector leading lentiviral vector delivery platform (LentiVector®), which the Group leverages to develop *in vivo* and *ex vivo* products both in-house and with partners. The Group has created a valuable proprietary portfolio of gene and cell therapy product candidates in the areas of oncology, ophthalmology, CNS disorders, liver diseases and respiratory disease. The Group has also entered into a number of partnerships, including with Novartis, Bristol Myers Squibb, Sanofi, Axovant Gene Therapies, Orchard Therapeutics, Santen, Boehringer Ingelheim, the UK Cystic Fibrosis Gene Therapy Consortium and Imperial Innovations, through which it has long-term economic interests in other potential gene and cell therapy products. Oxford Biomedica is based across several locations in Oxfordshire, UK and employs more than 550 people. Further information is available at www.oxb.com

CHAIRMAN'S STATEMENT

Introduction
The Group achieved strong revenue growth in its underlying bio-processing and process development business, established new and extended partnerships and delivered on its capacity expansion programme. With these strong foundations in place, the Group is ideally placed to deliver value by pursuing its mission of curing patients as a fully integrated gene therapy company.

Building a gene and cell therapy leader
As a pioneer in its field, Oxford Biomedica has built an enviable position as a world leading lentiviral vector company. The Group brings together innovation, expertise and infrastructure that spans the entire product development and commercialisation process. This provides a uniquely diversified business model offering the prospect of long-term sustainable growth.

By spearheading the industrialisation of the lentiviral vector, Oxford Biomedica can capture significant value from the rapidly growing gene and cell therapy sector, without the major financial and clinical risks associated with a more traditional biotechnology business. The Group's underlying bioprocessing and process development business is complemented by its wholly-owned pipeline of earlier-stage product candidates, which offer major upside potential.

Investing in innovation
The gene and cell therapy sector is maturing rapidly, as ever more products move towards commercialisation. Oxford Biomedica is taking advantage of this opportunity to lead in the industrialisation of lentiviral vectors, through ongoing investment in platform innovation, development capabilities, production capacity and expert people building the Group's critical mass.

The Group's investment strategy is making good progress, and a strategic investment from leading life sciences investor Novo Holdings has further strengthened our ability to accelerate this. The Group used the proceed from the Novo Holdings investment to fully repay debt and further boost its Statement of financial position to support its LentiVector® platform and in-house pipeline. By investing across its business, Oxford Biomedica is building its long-term, sustainable future. As it reaches optimal scale, the Group anticipates a smoother growth trajectory with increasingly robust and predictable income.

Investing in the team
Throughout 2019, the Group continued its transformation, with the completion of the first phase of its new Oxbox manufacturing facilities and continued delivery across its partnerships. This ongoing progress was supported by significant growth in the Oxford Biomedica team, and during the year the Group welcomed over 100 new colleagues who bring a range of production, analytical and research expertise. They are complemented by a broadened Senior Executive Team and the addition of a further Non-Executive Board Director, Robert Ghenchev, who joins the Company from Novo Holdings. The Group continues to grow at a rapid pace and is looking to strengthen the Board further with the appointment of additional Non-Executive Directors. In addition, having served four years as Chairman, I have informed the Group of my intention to retire from Oxford Biomedica's board. I will continue as Chairman while the Group completes a search for my replacement. On behalf of the Board, I would like to welcome our new colleagues, and thank all our employees for their fantastic dedication and hard work during the year, which has enabled Oxford Biomedica to build the world-leading position it holds today.

Positive outlook
The growth of the gene and cell therapy field continues at an exciting pace. With its unique capabilities and diversified business model Oxford Biomedica is ideally positioned to contribute to the sector's success, capture value and build a world-leading business. The Group has delivered a large number of its targets in 2019, and during the coming year Oxford Biomedica looks forward to progressing each of its operating segments as it continues to meet the growing demands of the burgeoning gene and cell therapy industry.

Dr Lorenzo Tallarigo
Chairman

CHIEF EXECUTIVE OFFICER'S AND 2019 PERFORMANCE REVIEW

Introduction

Oxford Biomedica continued to make strong progress in 2019, consolidating its position as a world leading lentiviral vector company. It increased its portfolio of collaborations, with the addition of Santen to its list of partners, and advanced its pipeline of proprietary products, supporting the clinical development of AXO-Lenti-PD following its out-licensing in 2018. It continued to develop its LentiVector® cell and gene delivery platform and boosted its manufacturing business with the extension of the supply agreement for Novartis' CAR-T portfolio. In parallel, expansion of the Group's industrial-scale bioprocessing facilities continued on track, and its newly established collaboration with Microsoft is applying innovative machine learning to further enhance its LentiVector® platform.

Oxford Biomedica's financial performance demonstrates the Group's growing maturity as a leading gene and cell therapy business. The Group's underlying business enjoyed continued strong growth, with its bioprocessing and process commercial development revenues increasing by 17%. While this was offset to some extent by lower licensing income, the Group strengthened its Statement of financial position with a major investment from Novo Holdings. As Oxford Biomedica continues its strong underlying growth, the Group anticipates further increase in manufacturing revenues smoothing its revenue trajectory as it builds an exciting long-term business maximizing the opportunity in the fast growing cell and gene therapy market.

Novartis partnership progress

Throughout 2019, the Group continued to deliver under its partnership with Novartis for the commercial and clinical supply of lentiviral vectors for Kymriah® (tisagenlecleucel, formerly CTL019) and Novartis' broader CAR-T portfolio. Kymriah® is a ground-breaking CAR-T therapy that uses patients' T cells to target cancer. It is indicated in relapsed and refractory B-cell acute lymphoblastic leukaemia (r/r ALL) and relapsed and refractory diffuse large B-cell lymphoma (r/r DLBCL). During 2019 it continued its rapid global roll out, and both product approvals and reimbursement continue to grow. Currently, 20 countries, including the US, Canada, Japan, Australia and a number of countries in Europe, have approved reimbursement in at least one indication. Kymriah® remains the first and only CAR-T therapy to receive regulatory approval in two distinct B-cell malignancies in these territories, and was the first lentiviral vector based therapy to be approved in the US and Europe.

In December, the success of the Novartis partnership culminated in the extension of the supply agreement for an additional five years, covering five lentiviral vectors for CAR-T products, including Kymriah®. Under the terms of the agreement, Oxford Biomedica will receive $75 million minimum of manufacturing revenues over the five years, in addition to process development and facility reservation fees and royalties on product sales as agreed in the initial 2014 collaboration. The Group remains the sole global supplier of lentiviral vector for Kymriah® and will allocate a dedicated manufacturing facility at its new Oxbox commercial production site to the partnership.

Santen partnership

In June 2019, the Group established a new partnership with leading multinational ophthalmology company Santen Pharmaceutical Co Ltd. Santen is the market leader for ophthalmic prescription pharmaceuticals in Japan and has a global presence in over 60 countries.

Under the terms of the R&D collaboration, option and licence agreement, Oxford Biomedica will develop and manufacture lentiviral vectors for novel gene therapy products targeting the treatment of an inherited retinal disease. On exercise of the option to access the Group's LentiVector® platform and industrial-scale production capabilities, Santen will pay an undisclosed milestone, in addition to future development milestones and single-digit royalties on product sales. Under the agreement, Oxford Biomedica retains an option to partner and co-fund product development and commercialisation in the United States and Europe.

Other existing partner programmes

During the year, the Group continued to progress its portfolio of existing collaborations. These provide partners with access to its innovative LentiVector® gene and cell therapy delivery platform, development and production expertise and world-leading industrialisation capabilities.

The portfolio includes the Group's $105 million strategic partnership with Sanofi (formally Bioverativ) for the development and manufacture of lentiviral vectors targeting the treatment of haemophilia, Orchard Therapeutics in the treatment of adenosine deaminase severe combined immunodeficiency (ADA-SCID), MPS-III A and a third undisclosed programme, as well as a collaboration with the UK Cystic Fibrosis Gene Therapy Consortium, Boehringer Ingelheim and Imperial Innovations developing a novel inhaled gene therapy for cystic fibrosis.

Proprietary product development:
Axovant Gene Therapies licensing agreement
In 2018, the Group signed an agreement estimated to be worth up to $842.5 million agreement with Axovant Sciences (now Axovant Gene Therapies) for the exclusive worldwide development and commercialisation rights to Oxford Biomedica's internally developed gene therapy candidate for Parkinson's disease, OXB-102 (subsequently renamed AXO-Lenti-PD). This landmark agreement validated the Group's proprietary portfolio strategy, with product innovation and initial development conducted in-house prior to attracting partner funding for clinical development and commercialisation, while retaining significant economic interest for Oxford Biomedica. In April 2019, dosing of the first patient in the second cohort of the SUNRISE-PD phase II study of AXO-Lenti-PD triggered a £11.5 million ($15 million) milestone payment to Oxford Biomedica.

In June 2019, six-month data from the first dose cohort showed patients continued to improve across multiple metrics with no serious adverse events related to the treatment, which was generally well tolerated. In January 2020, 12-month data from this group demonstrated a continued favourable safety profile and a 37% improvement in motor function from baseline as assessed by the UPDRS Part III 'OFF' score. This followed an improvement of 29% at six months on the same scale. Enrolment into the second dose cohort continues and Axovant anticipates announcing six-month data from the first six patients in cohort one and two by the fourth quarter of 2020. Based on the outcome of the dose-escalation phase, and development of a suspension-based manufacturing process, Axovant expects to begin the randomised, sham-controlled portion of the study by the end of the year.

Proprietary in-house product development
In line with the Group's proprietary portfolio strategy, Oxford Biomedica is engaged in partnering discussions to out-license or spinout a number of its pipeline product candidates. The current portfolio consists of five patient-centric products targeting a number of indications in ophthalmology, oncology, liver and CNS disorders.

Following an internal pipeline review priorities have now been set for where preclinical investment will be made to potentially take through into early stage clinical studies in the coming 12-18 months. OXB-302 is the Group's priority candidate and targets haematological tumours with a CAR-T 5T4. Advanced preclinical work is continuing on OXB-302 as the programme moves towards entry into the clinic. OXB-203, currently in preclinical studies, is targeting Wet AMD and uses Oxford Biomedica's technology to deliver a gene to express afibercept. This programme builds on the demonstrated long term gene expression data seen with its predecessor OXB-201, for which work has now been halted. In addition, the Group is continuing preclinical work on OXB-204 (LCA10) and OXB-103 (ALS) and a new preclinical program, OXB-401 (liver indication), has been initiated.

LentiVector® platform development
Oxford Biomedica's LentiVector® platform is a unique combination of expertise, intellectual property and world-class facilities, all focused on the industrialisation of the lentiviral vector. This world-leading, innovationcentric platform is the foundation of the Group's collaborations and proprietary pipeline. Oxford Biomedica's investment strategy is designed to maintain the LentiVector® platform's leading position through constant innovation, enhanced operational efficiency and expanded capacity.

Innovation
During 2019, Oxford Biomedica extended its programme of innovation, establishing a collaboration with Microsoft Research. This aims to harness the power of artificial intelligence to enhance vector development and industrial-scale production by improving process efficiency and consistency. The collaboration will apply machine learning and cloud computing to the large datasets generated during process development, analysis and manufacture. By combining computational modelling, novel algorithms and laboratory automation the project aims to improve vector yield and purity, providing quicker, cheaper and more reliable manufacture.

The Group's continuous improvement programme focuses on developing, refining and enhancing its technology. In recent years, Oxford Biomedica has developed its proprietary Transgene Repression in vector Production (TRiP) manufacturing system to dramatically improve vector yields, and its LentiStable™ packaging and producer cell lines to enable scalable, cost-effective manufacturing. Ongoing investment in high-throughput automation and robotics is streamlining production, reducing costs and enabling faster screening and analytical testing.

Capacity expansion
As the cell and gene therapy field continues to expand, the Group leased an additional facility in Oxford at the end of 2018 to meet the anticipated higher demand for lentiviral vectors. The new 84,000 sqft (7,800 sqm) facility, Oxbox, complements Oxford Biomedica's three existing state-of-the-art GMP production suites. The development phase fits out approximately 45,000 sqft (4,200 sqm) in the new facility with four GMP clean rooms, two fill/ finish suites, offices, warehousing and QC laboratories, with the remaining fallow area to be developed in future at the appropriate time.

During 2019, facility development made good progress, with the production suites' building phase completed by the end of the year as planned. Validation is currently ongoing, and the Group anticipates achieving regulatory approval and manufacture of the first commercial batches by the end of the second half of 2020. In parallel, development of the Fill / Finish suites is progressing well, with hand over expected by the end of the year. As announced in December, Oxford Biomedica will have a dedicated manufacturing suite for Novartis within Oxbox.

Alongside the expansion of Oxford Biomedica's manufacturing capacity, the Group is in the process of establishing the Windrush Innovation Centre (WIC), a new 32,000 sqft (2,970 sqm) discovery and innovation hub. This brings together research, automation, process development and bioprocessing teams to drive LentiVector® platform innovation and progress the proprietary pipeline. Occupation of the facility began during the first half of 2019 with increased utilisation expected during 2020.

With the addition of these two new facilities, Oxford Biomedica has more than doubled its footprint, which now extends to over 226,000 sqft (21,000 sqm). With its five specialist facilities centred around Oxford, the Group has built a global hub for lentiviral vector development and commercialisation.

Investment progress
In the first half of 2019, Oxford Biomedica received major support from leading life sciences investor Novo Holdings. At the end of May 2019, Novo Holdings invested £53.5 million in the Group in return for new ordinary shares issued at the prevailing market rate, representing 10.1% of the newly enlarged outstanding share capital. Oxford Biomedica utilised the funds to repay the £43.6 million debt facility provided previously by Oaktree Capital Management, thereby simplifying and strengthening the Group's Statement of financial position. The Group invested the balance of the proceeds in its LentiVector® platform and in-house pipeline programmes.

Organisational progress
As a highly-regarded long-term investor with a successful track record of working with innovative life sciences companies, Novo Holdings was granted the right to appoint a Non-Executive Director under the terms of its subscription agreement. Following the issuance of the new shares, the Group welcomed Robert Ghenchev to the Board. Robert is a Head of Novo Growth at Novo Holdings and brings a wealth of corporate finance experience to Oxford Biomedica.

During the year, the wider Oxford Biomedica team also continued to grow, reflecting the rapid expansion of the business. The Senior Executive Team was strengthened with the addition of two positions: General Counsel and Chief Medical Officer. This growth was mirrored across the business as the Group continued its facilities expansion programme. Headcount increased as planned with the total reaching 554 at the end of the year, compared with 432 at the end of 2018, with significant growth in the bioprocessing, analytics and platform research teams.

Assessment of COVID-19 Potential impact
The Group has conducted an assessment of the potential financial and operational risks to the business and has implemented a daily senior management working group to monitor current COVID-19 developments, GOV.UK guidance and to direct the Group's phased response.

The Group takes comfort from:

- The day to day changes in working practices put in place to protect our employees seem to be effective, with work continuing on in an as near to normal way as possible
- Revenues and their subsequent receipts are based on long term contracts with financially sound and resilient companies
- The Group has a stronger and more diversified customer base than it has had previously
- The Group has key worker status which allows us to continue providing services to our customers throughout the lockdown period

While the Group is yet to experience any significant impact from the virus, there may be an impact on revenue, supply chain and operating facilities if the situation continues or worsens. Management continues to constantly monitor the ongoing situation.

Outlook
In the coming year, Oxford Biomedica plans to build on the progress made across its business in 2019. The Group anticipates continued strong revenue growth from its portfolio of bioprocessing and development partnerships, including its extended supply agreement with Novartis. With its new Oxbox manufacturing facility coming on stream during 2020, the Group will have significant additional capacity to serve the rapidly growing gene and cell therapy sector. The Group anticipates adding further partnerships during the year, as well as expanding the number of existing partner programmes entering development.

During 2020, Oxford Biomedica intends to continue its investment strategy, bringing its Oxbox manufacturing facility online, increasing its laboratory capacity, training its newly-enlarged team and maintaining the innovation that underpins its world-leading LentiVector® platform and proprietary portfolio. With the Oxbox construction phase of the 45,000 sqft (4,200 sqm) building fully completed in 2019, the Group anticipates somewhat lower capex expenditure in 2020, with higher operating expenses due to the enlarged team working on the Group's partnerships.

The Group also plans to attract third-party funding to progress the clinical development of its in-house proprietary products. While the timing of these transactions is less predictable than ongoing delivery under bioprocessing agreements, the 2018 $842.5 million Axovant collaboration demonstrates the potential to create significant shareholder value.

With the ongoing success of its Novartis collaboration and progress across its other partnerships validating the LentiVector® platform, the Group has built an industry leading position. As it continues to invest in its future, it intends to progress each segment of its business. By leveraging its strong and growing bioprocessing and development business to smooth less predictable but potentially significant licensing income, Oxford Biomedica intends to drive forwards long-term stable profitability whilst delivering major benefits for patients, partners and shareholders alike. Despite the COVID-19 pandemic, the Group looks forward to another successful year and is making encouraging progress towards this goal.

John Dawson
Chief Executive Officer

FINANCIAL REVIEW

Operational transformation

In 2019, the Group moved towards completion of phase 1 of its Oxbox bioprocessing facility and made many other investments in its goal to industrialise the process of making Lentiviral vectors. The first two clean rooms are expected to be producing commercial and clinical batches in 2020. Importantly, the Group will bring Fill & Finish in house for the first time in this new facility. This will provide our customers with an end to end offering. We will continue to make selective investments in infrastructure to both have the capacity for new customers and to innovate valuable Intellectual Property to add to our offering.

The Group has continued to build on the significant commercial success achieved during 2018. Bioprocessing and commercial development revenue increased by 17% with growth driven by the new commercial arrangements signed with Axovant, Sanofi (Bioverativ) and the UK Cystic Fibrosis Gene Therapy Consortium, and increased bioprocessing volumes as a result of Novartis' continued commercial roll-out of Kymriah® across the globe with the product now having approved reimbursement in 20 countries.

A 5 year extension to the current commercial supply agreement with the Group's long term partner, Novartis, was signed in December 2019, and a new research and development collaboration was signed with Santen. A significant clinical milestone was reached by Axovant with the dosing of the first patient in the second cohort of the AXO-Lenti-PD Parkinson's disease clinical trial, triggering a £11.5 million ($15 million) milestone to Oxford Biomedica. The Group also made significant improvements to its Statement of financial position with £53.5 million of equity raised from new Investor Novo Holdings which was used to fully repay the £43.6 million ($55 million) Oaktree loan.

Selected highlights are as follows:

- Revenues from the underlying bioprocessing and commercial development business continued to show good year on year growth. Despite the capacity constraints within the business, growth in full year revenues of 17% was achieved driven by double digit growth across both activities. Revenues from the bioprocessing and commercial development business has now increased by 557% since 2013
- Revenues from milestones, licences and royalties declined 36% on the prior year with the £11.5 million ($15 million) Axovant milestone and strongly growing royalties unable to compensate for the sizable licence income received on signing the Sanofi (Bioverativ) and Axovant agreements in 2018. The timing of receipt of milestone and licence revenues are, by nature, hard to predict especially when connected to the execution of new licence and supply agreements
- Total revenues decreased by 4% over 2018, but has now increased by 371% since 2013 when the revenue generating Platform division was created
- In 2019 the Group did not recognise revenues of £1.8 million (2018: Nil) relating to an estimate of bioprocessed product for which revenue has previously been recognised and which may be reversed should the product go out of specification
- Operating EBITDA[1] and operating profits slipped back into a loss-making position due to lower milestone and licensing revenue and investment by the Group into its bioprocessing operations and people in preparation for the Oxbox bioprocessing facility coming online in 2020
- The Product division made an Operating EBITDA[1] profit of £6.5 million (2018: £3.6 million) and an operating profit of £5.7 million (2018: £2.5 million)
- Cash used in operations of £6.6 million in 2019 (2018: £9.2 million inflow) reflected revenue mix and the operational investments explained above
- £53.5 million of equity was raised from new Investor Novo Holdings which was used to fully repay our £43.6 million ($55 million) Oaktree loan facility
- Cash at 31 December was £16.2 million (2018: £32.2 million) reflecting the continued capital expenditure on the new Oxbox bioprocessing facility

1. Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments and assets at fair value through profit & loss, and Share Based Payments) is a non-GAAP measure often used as a surrogate for operational cash flow as it excludes from operating profit or loss all non-cash items, including the charge for share options. A reconciliation to GAAP measures is provided on page 12.

Overview

The slight decrease in revenues was largely driven by the fact that the £11.5 million ($15 million) milestone triggered with the dosing of the first patient in the second cohort of the AXO-Lenti-PD Parkinson's disease clinical trial, and the 17% increase in the Bioprocessing and commercial development revenue, was just not sufficient to offset the £18.3 million worth of license revenue received in 2018 as a result of the Axovant and Bioverativ (Sanofi) deals. Bioprocessing and commercial development revenues increased from the prior year with double digit growth across both activities.

Operating costs, including Cost of Sales, grew by 30%, and by 29% when non-cash items[1] are excluded. Manpower and facility costs have increased as the Group invested heavily in its bioprocessing operations and people in preparation for the Oxbox bioprocessing facility coming online in 2020. This investment is expected to allow the Group to meet increasing customer demand, both for bioprocessing and commercial development services, thereby positioning for future growth in activities in 2020 and beyond. Headcount rose from 432 at December 2018 to 555 at the end of 2019.

The Group has also recognised a £1.9m loss on revaluation of the Orchard Therapeutics investment asset after the share price gave up some of the large gains (2018: £6.0 million) achieved during 2018, although this was fully offset by a £2.3 million increase in the R&D tax credit as the Group incurred additional qualifying research and development expenditure in 2019.

The signing of commercial contracts in 2018 with Axovant, Sanofi (Bioverativ) and the UK Cystic Fibrosis Gene Therapy Consortium, the five year extension to the current commercial supply agreement with Novartis, and a new research and development collaboration with Santen in 2019 have strengthened the Group's commercial pipeline, diversified the Group's customer base and bolstered the Group's commercial development revenues in 2019. Additional commercial development and bioprocessing revenues are expected from these partnerships in the future. The Group will ensure that it continues to foster its current strong customer relationships, whilst continuing the Group's stated aim of targeting new strategic commercial partnerships to build on the platform of established growth.

The Group will continue its proven strategy of developing its proprietary technologies, processes and products, and will seek partnerships for later stage clinical studies. The Group has recently undertaken a review of its pipeline to determine which programmes it would focus on in preclinical development to potentially take through into early stage clinical studies in the coming 12-18 months. The Group will continue to assess the financial risk/reward profile of these projects and will seek to provide maximal returns to shareholders accordingly

The Group evaluates its performance by making use of alternative performance measures as part of its Key Financial Performance Indicators (refer following table). The Group believes that these Non-GAAP measures, together with the relevant GAAP measures, provide an accurate reflection of the Group's performance over time. The Board has taken the decision that the Key Financial Performance Indicators against which business will be assessed are Revenue, Operating EBITDA and Operating Profit/(loss).

Key Financial and Non-Financial Indicators

Key Financial Performance Indicators

£m	2019	2018	2017	2016	2015
Revenue					
Bioprocessing / commercial development	**47.3**	40.5	31.8	22.6	11.3
Licences, milestones & royalties	**16.8**	26.3	5.8	5.2	4.6
Total Revenues	**64.1**	66.8	37.6	27.8	15.9
Operations					
Operating EBITDA[1]	**(5.2)**	13.4	(1.9)	(7.1)	(12.1)
Operating profit/(loss)	**(14.5)**	13.9	(5.7)	(11.3)	(14.1)
Cash flow					
Cash generated from/(used in) operations	**(6.6)**	9.2	(1.5)	(5.9)	(14.9)
Capex[3]	**25.8**	10.1	2.0	6.4	16.6
Cash burn[2]	**26.3**	1.9	9.8	11.5	29.8
Financing					
Cash	**16.2**	32.2	14.3	15.3	9.4
Loan	**-**	41.2	36.9	34.4	27.3
Non-Financial Key Indicators					
Headcount					
Year-end	**555**	432	321	256	231
Average	**500**	377	295	247	196

1. Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments and assets at fair value through profit & loss, and Share Based Payments) is a non-GAAP measure often used as a surrogate for operational cash flow as it excludes from operating profit or loss all non-cash items, including the charge for share based payments. A reconciliation to GAAP measures is provided on page 12.
2. Cash burn is net cash generated from operations plus net interest paid plus capital expenditure. A reconciliation to GAAP measures is provided on page 15.
3. This is Purchases of property, plant and equipment as per the cash flow statement which excludes additions to Right-of-use assets. A reconciliation to GAAP measures is provided on page 28.

Revenue

Revenue decreased by 4% to £64.1 million as compared to 2018 (£66.8 million). Revenue generated from bioprocessing/commercial development increased by 17% to £47.3 million (from £40.5 million in 2018), and is up 557% since 2013. The main contributor to growth has been the revenues generated from increased commercial development services provided to new customers Cystic Fibrosis Consortium, Axovant and Santen, as well as growth in Novartis commercial bioprocessing volumes.

Revenues from licence fees, milestones and royalties, including the £11.5 million ($15 million) Axovant milestone, represented a decrease of 36% from the prior year due to £18.3 million of licence income received in 2018 on the signing of the Sanofi (Bioverativ) and Axovant agreements not recurring.

The largest portion of the Group's revenue continues to be derived from its relationship with Novartis, although this has now reduced to just over 50% of revenues, as the Group continues to diversify the customer base and revenue streams.

£m	2019	2018	2017	2016	2015
Revenue	**64.1**	66.8	37.6	27.8	15.9

Operating EBITDA

£m	2019	2018	2017	2016	2015
Revenue	**64.1**	66.8	37.6	27.8	15.9
Other income	**0.9**	1.1	1.8	3.0	2.9
Total expenses	**(70.2)**	(54.5)	(41.3)	(37.9)	(30.9)
Operating EBITDA[1]	**(5.2)**	13.4	(1.9)	(7.1)	(12.1)
Non cash items[2]	**(9.3)**	0.5	(3.8)	(4.2)	(2.0)
Operating profit/(loss)	**(14.5)**	13.9	(5.7)	(11.3)	(14.1)

1 Operating EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation, revaluation of investments and assets at fair value through profit & loss, and Share Based Payments) is a non-GAAP measure often used as a surrogate for operational cash flow as it excludes from operating profit or loss all non-cash items, including the charge for share based payments. A reconciliation to GAAP measures is provided on page 12.
2 Non-cash items include depreciation, amortisation, revaluation of investments, Fair value adjustments of available-for-sale assets and the share based payment charge. A reconciliation to GAAP measures is provided on page 12.

Revenue decreased by 4% in 2019 whilst the Group's cost base grew by 29% to £70.2 million both to accommodate the growth in bioprocessing and commercial development revenues and in bringing online in the first half of 2020 additional Oxbox bioprocessing capacity. The Operating EBITDA loss of £5.2 million is £18.6 million lower than the £13.4 million profit generated in 2018 as a result of increased operational cost and lower license revenues when compared to the prior year. If IFRS 16 (Leases) was not implemented at the start of 2019, the Operating EBITDA loss would be £6.0 million on a like for like basis with 2018.

Total Expenses

In order to provide the users of the accounts with a more detailed explanation of the reasons for the year on year movements of the Group's operational expenses included within Operating EBITDA, the Group has added together research and development, bioprocessing and administrative costs and has removed depreciation, amortisation and the share option charge as these are non-cash items which do not form part of the Operating EBITDA alternative performance measure. As Operating profit/(loss) is assessed separately as a key financial performance measure, the year on year movement in these non-cash items is then individually analysed and explained specifically in the Operating and Net profit/(loss) section. Expenses items included within Total Expenses are then categorised according to their relevant nature with the year on year movement explained in the second table below:

£m	2019	2018	2017	2016	2015
Research & development	**22.6**	**18.0**	21.6	24.3	20.3
Bioprocessing costs[1]	**7.4**	**1.2**	-	-	-
Administrative expenses	**11.9**	**7.4**	7.3	6.0	6.7
Operating expenses	**41.9**	**26.6**	28.9	30.3	27.0
Depreciation	**(5.8)**	**(4.3)**	(4.1)	(3.3)	(1.3)
Amortisation	**-**	**-**	(1.2)	(0.3)	(0.4)
Share option charge	**(1.6)**	**(1.1)**	(0.7)	(0.6)	(0.2)
Adjusted operating expenses[2]	**34.5**	**21.2**	22.9	26.1	25.1
Cost of sales	**35.7**	**33.3**	18.4	11.8	5.8
Total expenses[3]	**70.2**	**54.5**	41.3	37.9	30.9

1. Bioprocessing costs have increased from the prior period due to additional facility costs, headcount and related spend incurred due to the Group's investment in additional bioprocessing capacity at Oxbox. It was also impacted by downtime at the Group's Yarnton bioprocessing facility as when it was converted from an adherent process to bioreactors, the costs were not recovered to cost of goods but remained in bioprocessing whilst the facility was not in use
2. Research, development, bioprocessing and administrative expenses excluding depreciation, amortisation and share option charge.
3. Cost of goods plus research, development, bioprocessing and administrative expenses excluding depreciation, amortisation and share option charge.

£m	2019	2018	2017	2016	2015
Raw materials, consumables and other external bioprocessing costs	**22.8**	**18.3**	13.2	9.3	6.1
Manpower-related	**35.2**	**26.7**	19.3	17.4	13.6
External R&D expenditure	**1.4**	**1.9**	1.7	2.8	3.0
Other costs	**10.8**	**7.6**	7.1	8.4	8.2
Total expenses	**70.2**	**54.5**	41.3	37.9	30.9

- Raw materials, consumables and other external bioprocessing costs have increased as a result of the increase in commercial development activities and bioprocessing volumes, as well as higher material and subcontracted spend.
- The increase in manpower-related costs is due to the increase in the average headcount from 377 in 2018 to 500 in 2019. This is as a result of increasing commercial development and bioprocessing capacity in line with the Group's increased revenues, as well as in anticipation of Oxbox coming online in the first half of 2020.
- External R&D expenditure was lower due to lower levels of pass-through clinical development spend for Axo-Lenti-PD as the development was fully taken over by Axovant at the end of 2018.
- Other costs were higher due to increased facility costs for the Oxbox and Windrush Innovation Centre properties, as well as a forex loss of £0.6 million (2018: £1.3 million gain) as sterling weakened against the dollar. Due to the implementation of IFRS 16 (Leases) at the start of 2019, £0.8 million worth of operating lease payments now form part of the depreciation of the right-to-use asset (£0.7 million), and the interest on the lease liability (£0.7 million).

Operating and Net profit/(loss)

£m	2019	2018	2017	2016	2015
Operating EBITDA	**(5.2)**	**13.4**	(1.9)	(7.1)	(12.1)
Depreciation, amortisation and share option charge	**(7.4)**	**(5.5)**	(6.1)	(4.2)	(2.0)
Revaluation of investments/Change in fair value of assets at fair value through profit & loss	**(1.9)**	**6.0**	2.3	-	-
Operating (loss)/profit [1]	**(14.5)**	**13.9**	(5.7)	(11.3)	(14.1)
Interest	**(5.4)**	**(6.2)**	(9.3)	(4.9)	(1.9)
R&D tax credit	**4.8**	**2.5**	2.7	3.7	4.0
Foreign exchange revaluation (non-cash)	**(1.0)**	**(2.7)**	3.3	(4.1)	(1.0)
Net (loss)/profit	**(16.1)**	**7.5**	(9.0)	(16.6)	(13.0)

1. If IFRS 16 (Leases) was not implemented at the start of 2019, the operating loss would be £13.8 million on a like for like basis with 2018.

The Operating EBITDA loss for 2019 is further negatively impacted by a £1.9 million loss on revaluation of the Orchard Therapeutics asset held at fair value through profit & loss after the share price gave up some of the large gains achieved during 2018. The depreciation, amortisation and share option charge was higher in 2019 due to depreciation on an increased asset base, depreciation arising on leased assets following the adoption of IFRS 16 (Leases), and a higher share option charge due to the increased employee headcount. The interest charge of £5.4 million was lower than the prior year as the Oaktree loan was repaid at the end of June 2019, although this decrease was offset by a non-cash accelerated interest charge incurred as a result of the early repayment of the loan, and interest arising on the adoption of IFRS 16 (Leases). The R&D tax credit in 2019 has increased due to additional research and development expenditure, both in terms of headcount and materials. The net loss in 2019 was negatively impacted by the devaluation of sterling against the dollar, resulting in a foreign exchange loss of £1.0 million being recognised which was mainly as a result of the revaluation of the previously held dollar denominated Oaktree loan.

Segmental analysis

Reflecting the way the business is being managed by the Senior Executive Team, the Group reports its results within two segments, namely the 'Platform' segment which includes the revenue generating bioprocessing and process development activities for third parties (i.e.the Partner programmes CDMO business), and internal technology projects to develop new potentially saleable technology, improve our current processes and bring development and manufacturing costs down within the LentiVector®

Platform. The other segment, “Product“, includes the costs of researching and developing new gene therapeutic product candidates.

£m	Platform	Product	Total
2019			
Revenue	**51.0**	**13.1**	**64.1**
Operating EBITDA	**(11.7)**	**6.5**	**(5.2)**
Operating (loss)/profit	**(20.2)**	**5.7**	**(14.5)**
2018			
Revenue	55.0	11.8	66.8
Operating EBITDA	9.8	3.6	13.4
Operating profit	11.4	2.5	13.9

The Platform segment in 2019 saw a decrease in revenue of 7% from £55.0 million to £51.0 million as license income from new customers in 2018 as a result of the Axovant and Bioverativ (Sanofi) deals did not recur. This was however partly offset by increased bioprocessing volumes and additional commercial development services provided. Operational results were further impacted by additional investment in headcount and facilities resulting in an operating EBITDA loss of £11.7 million, as compared to a profit of £9.8 million in 2018. The Group continues to target increased profitability from this segment through higher bioprocessing volumes, increased royalty payments from partners, and additional commercial development services to customers.

The Product segment has generated revenues of £13.1 million and an Operating EBITDA profit of £6.5 million (2018: £3.6 million) largely as a result of the £11.5 million ($15 million) Axovant milestone achieved in April 2019 on dosing of the first patient in the second cohort. The segment also generated an Operating profit of £5.7 million (2018: £2.5 million).

Cash flow

The Group held £16.2 million cash at 31 December 2019, having begun the year with £32.2 million. Significant movements across the year are explained below.

- The operating loss in 2019 was £28.4 million lower than the operating profit of £13.9 million achieved in 2018, principally as a result of lower license fees, but also increased operational investments in headcount and facility costs, as well as lower revaluation gains on Assets at fair value through profit & loss.
- This loss flowed through to Operating EBITDA which decreased by £18.6 million to a loss of £5.2 million (2018: £13.4 million profit).
- Cash used in operations was £6.6 million, a £15.8 million reversal from the £9.2 million cash generated in 2018.
- Net cash used in operations during 2019 at £3.5 million was helped by a £3.1 million R&D tax receipt, down £0.5 million from the prior year. This was due to the tax credit being capped as a result of the profits achieved in 2018 as compared to 2017.
- Interest paid during the year was £3.3 million, down from £4.7 million in the prior year as the Oaktree loan facility was paid at the end of June 2019.
- £6.3 million of funds was generated from the sale of shares of the Orchard investment asset.
- Purchases of property, plant and equipment increased from £10.1 million to £25.8 million, mainly consisting of purchases of equipment and leasehold improvements for the new Oxbox manufacturing facility.
- Cash burn, the aggregate of these items, was therefore increased from £1.9 million in 2018 to £26.3 million in 2019 as a result of the lower level of cash generated from the Group’s operations, and the increased capital expenditure on the Oxbox bioprocessing facility.
- The net proceeds from financing during 2019 were £10.3 million, consisting almost entirely of the Novo Holdings equity raise of £53.5 million which was used to fully repay the £43.6 million ($55 million) Oaktree loan.
- The result of the above movements is a net decrease in cash of £16.0 million from £32.2 million to £16.2 million.

Cash flow movements	2019	2018	2017	2016	2015
Operating (loss)/profit	**(14.5)**	**13.9**	(5.7)	(11.3)	(14.1)
Non-cash items included in operating profit/(loss)	**9.3**	**(0.5)**	3.8	4.2	2.0
Operating EBITDA profit /(loss)	**(5.2)**	**13.4**	(1.9)	(7.1)	(12.1)
Working capital movement	**(1.4)**	**(4.2)**	0.4	1.2	(2.8)
Cash (used in)/ generated from operations	**(6.6)**	**9.2**	(1.5)	(5.9)	(14.9)
R&D tax credit received	**3.1**	**3.7**	4.5	4.1	3.2
Net cash (used in)/generated from operations	**(3.5)**	**12.9**	3.0	(1.8)	(11.7)
Interest paid, less received	**(3.3)**	**(4.7)**	(10.8)	(3.3)	(1.5)
Sale of available for sale asset	**6.3**				
Capex	**(25.8)**	**(10.1)**	(2.0)	(6.4)	(16.6)
Cash burn	**(26.3)**	**(1.9)**	(9.8)	(11.5)	(29.8)
Net proceeds from financing[1]	**10.3**	**19.8**	8.8	17.5	25.0
Movement in year	**(16.0)**	**17.9**	(1.0)	6.0	(4.8)

[1] Excludes interest paid which is shown separately above.

Statement of financial position review

The most notable items on the Statement of financial position, including changes from 31 December 2018, are as follows:

Assets held at fair value through profit & loss, decreased by £6.3million as a result of the sale of Orchard shares, and by £1.9 million due to the devaluation of the Orchard investment based on the quoted Orchard share price at year end.

- Property, plant and equipment has increased by £30.1 million to £61.9 million as depreciation of £5.8 million only partially offset additions of £29.6 million, mainly purchases of equipment and leasehold improvements for the new Oxbox manufacturing facility, a £3.7 million Oxbox leasehold restoration asset, and £6.4 million of right to use asset recognised upon the implementation of IFRS 16 (Leases).
- Inventories have decreased from £4.3 million to £2.6 million due to work in progress balances released to cost of goods due to the ability to more accurately reflect the percentage of completion on bioprocessing batches, as well as lower raw material levels after planned increases in stock levels at 31 December 2018 due to Brexit uncertainty.
- Trade and other receivables increased from £30.6 million to £33.7 million, due predominantly to the increased levels of process development activities, as well as the timing of bioprocessing orders placed at year-end.
- Tax assets increased from £2.4 million to £5.4 million due to increased research and development expenditure qualifying for tax relief.
- Trade and other payables increased from £11.4 million to £14.3 million, due to the purchases of equipment and leasehold improvements for the new Oxbox manufacturing facility, as well as an increased level of operational activity.
- Contract liabilities decreased from £18.5 million in 2018 to £14.9 million due to the release of the NVS bioprocessing capacity reservation fee and the funds received in advance for Axovant process development activities,
- Deferred Income decreased from £5.0 million in 2018 to £4.3 million mainly due to the reclassification of a £2.3 million lease incentive upon implementation of IFRS 16 (Leases), partly offset by the £0.4m Santen option and the net movement in innovate capex grant funding of £1.5 million.
- The Oaktree loan balance of £43.6 million ($55 million) was fully repaid after the Group raised £53.5 million equity from new Investor Novo Holdings.
- Lease liabilities of £8.4 million were recognised as required by the implementation of IFRS 16 (Leases) from the start of 2019.

Events after the Statement of financial position date - contingent liability

The Group routinely enters into a range of contractual arrangements in the ordinary course of business which may give rise to claims or potential litigation against the Group.

Subsequent to year end the Group identified an issue regarding an aspect of certain process development work performed on behalf of a customer in 2018 and 2019 which potentially could give rise to a material claim against the Group. The Group has been in communication with the third party

but is not yet in a position to verify or validate any information relating to this matter due to the very recent timing of this issue being identified.

As at 31 December 2019, the Group regards this matter as an adjusting post Statement of financial position event (IAS10) and has assessed the performance obligations for which the revenue has been recognised and reversed all potentially affected revenues relating to the work packages with the liability recognised within Contract liabilities due within one year.

In addition, the Group expects that the potential liability arising with regards to the affected work packages will be extinguished either through re-performance of the affected work packages, or ultimately form part of any potential claim. If a claim were to materialise, the Group estimates the range of all potential costs could be between £250,000 and £1,000,000. However, as there is no such claim to date and given the early stage of the investigation into the cause, no liability has been recognised at the Statement of financial position date, as in management's opinion it is too early to consider the above estimate sufficiently reliable to recognise a provision (if any) in respect of this matter. The assessment required is inherently judgemental, and there is a risk that the final settlements are materially different to the range provided above or do not include all claims and therefore the amounts may be understated. A contingent asset could potentially exist within the financial statements for the insurance cover that the group maintains, however the Group cannot determine the extent of any cover until further investigation is undertaken as necessary. On this basis it is too early to assess the likelihood of an asset arising, therefore no contingent asset has been recognised.
No other amounts have been provided for in respect of this matter.

Financial outlook

The Group is targeting improved financial performance in 2020. The contracts signed in 2018 with Axovant, Sanofi (Bioverativ) and the UK Cystic Fibrosis Gene Therapy Consortium have bolstered the Group's commercial development revenues in 2019, with additional commercial development and bioprocessing revenues expected from these partnerships in the future. The Group's customer base also continues to diversify with the signing of a new commercial collaboration agreement with Santen Pharmaceutical Company.

The Group will continue to target improvements in its commercial relationships with its existing customers. The signature of a five year extension to the commercial supply agreement with Novartis is testament to the joint success achieved in this strategically important collaboration since 2013. Novartis continues to launch Kymriah® across the globe with the product now having approved reimbursement in 20 countries. New marketing approvals were seen in Japan with Kymriah® being the only CAR-T available in Asia. The Group will continue to target new strategic commercial relationships in 2020, whilst remaining focused on meeting the growing demands of its existing customer base

The Group is continuing the development of its proprietary pipeline, and while discussions are ongoing for further out-licensing or spinout of these programmes, the Group has also undertaken a review of its pipeline to determine which programmes it would focus on in preclinical development to potentially take through into early stage clinical studies in the coming 12-18 months.

The Group continues to make selective strategic investments in its products and enabling technologies where the opportunity exists to increase shareholder value and improve patient outcomes. The Group will continue to invest in early stage concepts and preclinical studies, and in its key LentiVector® technology platform.

Going concern

The financial position of the Group, its cash flows and liquidity position are described in the primary statements and notes to these financial statements.
The Group held £16.2 million and £17.2 million of cash at the end of December 2019 and April 2020 respectively. Although in 2019 the Group recorded an operating loss of £13.1 million and did not generate positive operational cash flow, this was largely due to operational scale-up of investments in its people and operational capabilities as part of the strategic decision to increase its bioprocessing capacity.

In assessing the going concern assumptions, the Board has undertaken a rigorous assessment of the forecasts and assessed identified downside risks and mitigating actions. The downside risks include a

number of severe but plausible scenarios incorporating underperformance against the business plan, unexpected cash outflows and fewer new customers. Due to the Group's scale-up of investments and strategic decision to increase its bioprocessing facility, the Group requires additional financing in the form of equity financing, loan financing or other government finance initiatives in order to continue its operations and current capabilities.

Due to volatility in the financial markets created by the impact of the COVID-19 pandemic, fund raising through issuance of equity to the investment community as planned has become very difficult and the Group has not had the opportunity to raise funding in line with the originally planned timeline. Therefore, the Board has undertaken a much more rigorous review of the detailed cash flow forecast prepared as part of the going concern assessment process. The process identified that the Group would not be able to continue its activities for at least 12 months from the date of approval of these financial statements if the Group could not secure the external financing and continue to execute and recover known and expected revenues from existing customers under long term contracts, which are ongoing but still to be delivered or securing the benefit of any upfront receipts from licensing out the Group's intellectual property or win new customer contracts for process development and bioprocessing services.

Whilst it is difficult to estimate the impact of COVID-19 due to the rapidly changing nature of the pandemic, the cash flow forecasts include the Group's current assumptions, taking into account the severe but plausible downsides. The assumptions include a reduction in revenues by almost 30% (fewer new customer, lower demand from existing customers and reduction in milestones), a reduction in associated costs and lower discretionary capital expenditure.

If the Group is unable to the secure the external financing and receipt the revenues described above, it has assessed that it would not be able to generate sufficient cash flows to support its level of activities beyond the third quarter of 2020. The above situation gives rise to a material uncertainty, as defined in auditing and accounting standards, related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and in such circumstances, it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

However, despite the above uncertainties, the Board has the confidence that the accounts should be prepared on a going concern basis for the following reasons:

- the Group has key worker status which allows continuity of providing services to the Group's financially stable customer base throughout the lockdown period
- the Group's ability to continue to be successful in winning new customers and building its brand as demonstrated by:
  - signing the substantial license, manufacturing and development agreement with Juno (BMS) in March 2020,
  - Joining a Consortium led by the Jenner Institute, Oxford University, to rapidly develop, scale-up and manufacture a potential vaccine candidate for COVID-19, with Government support for the funding of the project expected.
- the Group's ability to potentially access the Government Coronavirus Business Interruption Loan Scheme and also external debt finance as required,
- the Group's history of being able to access capital markets and,
- the Group's ability to control capital expenditure costs and lower other operational spend, as necessary.

Therefore the Directors have continued to adopt the going concern basis of preparation in the financial statements.

Although the UK's decision to leave the European Union may significantly affect the fiscal, monetary and regulatory landscape in the UK, the Group has assessed the future impact of Brexit on its operations to be minor.

Stuart Paynter
Chief Financial Officer

Consolidated statement of comprehensive income

for the year ended 31 December 2019

		Group	
		2019	2018
		Total	Total
Continuing operations	Note	**£'000**	£'000
Revenue		**64,060**	66,778
Cost of sales		**(35,723)**	(33,261)
Gross profit		**28,337**	33,517
Research, development costs		**(22,546)**	(17,973)
Bioprocessing costs		**(7,378)**	(1,243)
Administrative expenses		**(11,881)**	(7,433)
Other operating income		**884**	1,064
Revaluation of investments	8	**-**	5,983
Change in fair value of asset held at fair value through profit & loss	7	**(1,883)**	-
Operating profit/(loss)		**(14,467)**	13,915
Finance income		**104**	71
Finance costs		**(6,526)**	(8,972)
Profit/(loss) before tax		**(20,889)**	5,014
Taxation	3	**4,823**	2,527
Profit/(loss) and total comprehensive income/(expense) for the year		**(16,066)**	7,541
Basic earnings/(loss) per ordinary share	4	**(22.10p)**	11.57p
Diluted earnings/(loss) per ordinary share	4	**(22.10p)**	(10.89p)

There was no other comprehensive income or loss.

The loss for the year is attributable to the owners of the parent.

The notes on pages 22 to 33 form part of this preliminary information.

Statement of financial position
as at 31 December 2019

	Note	Group 2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	5	**95**	117
Property, plant and equipment	6	**61,932**	31,791
Investments at fair value through profit and loss	8	**-**	10,966
Trade and other receivables		**3,605**	4,000
Deferred tax assets		**359**	-
		65,991	46,874
Current assets			
Inventories	9	**2,579**	4,251
Assets at fair value through profit & loss	7	**2,719**	-
Trade and other receivables	10	**30,045**	26,585
Current tax assets		**5,351**	2,446
Cash and cash equivalents		**16,243**	32,244
		56,937	65,526
Current liabilities			
Trade and other payables	11	**14,297**	11,422
Contract liabilities	12	**13,156**	17,084
Deferred income		**1,006**	-
Lease Liabilities		**482**	-
Provisions		**-**	-
		28,941	28,506
Net current assets		**27,996**	37,020
Non-current liabilities			
Loans	13	**-**	41,153
Provisions	14	**5,086**	1,287
Contract liabilities	12	**1,695**	1,401
Deferred income		**3,310**	5,033
Lease liabilities		**7,907**	-
Deferred tax liability		**359**	279
		18,357	49,153
Net assets		**75,630**	34,741
Equity attributable to owners of the parent			
Ordinary share capital		**38,416**	33,034
Share premium account		**222,618**	172,074
Other reserves		**2,291**	3,509
Accumulated losses		**(187,695)**	(173,876)
Total equity		**75,630**	34,741

The notes on pages 22 to 33 form part of this preliminary information

Statement of cash flows
for the year ended 31 December 2019

	Note	Group 2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	15	**(6,636)**	9,214
Tax credit received		**3,128**	3,654
Net cash generated from/(used in) operating activities		**(3,508)**	12,868
Cash flows from investing activities			
Purchases of property, plant and equipment		**(25,774)**	(10,103)
Purchases of intangible assets		**-**	(45)
Proceeds on disposal of property, plant and equipment		**2**	-
Proceeds on disposal of investment assets		**6,270**	-
Interest received		**104**	52
Net cash used in investing activities		**(19,398)**	(10,096)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**54,132**	21,184
Costs of share issues		**(769)**	(1,376)
Proceeds from the exercise of warrants		**1,345**	-
Loan to subsidiary		**-**	-
Interest paid		**(2,513)**	(4,665)
Redemption fee		**(866)**	-
Payment of lease liabilities		**(835)**	-
Loans repaid		**(43,589)**	-
Net cash generated from/(used in) financing activities		**6,905**	15,143
Net increase/(decrease) in cash and cash equivalents		**(16,001)**	17,915
Cash and cash equivalents at 1 January		**32,244**	14,329
Cash and cash equivalents at 31 December		**16,243**	32,244

The notes on pages 22 to 33 form part of this preliminary information.

Statement of changes in equity attributable to owners of the parent company
for the year ended 31 December 2019

Group	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Warrants reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2018	31,076	154,224	2,291	-	1218	(182,663)	6,146
Year ended 31 December 2018:							
Loss for the year	-	-	-	-	-	7,541	7,541
Total comprehensive expense for the year	-	-	-	-	-	7,541	7,541
Transactions with owners:							
Share options							
Proceeds from shares issued	246	478	-	-	-	-	724
Value of employee services	-	-	-	-	-	1,246	1,246
Issue of shares excluding options	1,712	18,748	-	-	-	-	20,460
Cost of Share Issues	-	(1,376)	-	-	-	-	(1,376)
At 31 December 2018	**33,034**	**172,074**	**2,291**	**-**	**1,218**	**(173,876)**	**34,741**
Year ended 31 December 2019:							
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(16,066)**	**(16,066)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(16,066)**	**(16,066)**
Transactions with owners:							
Share options							
Proceeds from shares issued	**162**	**495**	**-**	**-**	**-**	**-**	**657**
Value of employee services	**-**	**-**	**-**	**-**	**-**	**2,247**	**2,247**
Issue of shares excluding options	**3,875**	**49,600**	**-**	**-**	**)**	**-**	**53,475**
Exercise of warrants	**1,345**	**1,218**			**(1,218**		**1,345**
Cost of share issues	**-**	**(769)**	**-**	**-**	**-**	**-**	**(769)**
At 31 December 2019	**38,416**	**222,618**	**2,291**	**-**	**-**	**(187,695)**	**75,630**

The notes on pages 22 to 33 form part of this preliminary information.

NOTES TO THE PRELIMINARY FINANCIAL INFORMATION for the year ended 31 December 2019

1 Basis of accounting

This preliminary announcement was approved by the Board of Directors on 6 May 2020.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2019 or 2018 but is derived from those accounts.

Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course.

The auditor has reported on the 2019 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The financial position of the Group, its cash flows and liquidity position are described in the primary statements and notes to these financial statements.
The Group held £16.2 million and £17.2 million of cash at the end of December 2019 and April 2020 respectively. Although in 2019 the Group recorded an operating loss of £13.1 million and did not generate positive operational cash flow, this was largely due to operational scale-up of investments in its people and operational capabilities as part of the strategic decision to increase its bioprocessing capacity.

In assessing the going concern assumptions, the Board has undertaken a rigorous assessment of the forecasts and assessed identified downside risks and mitigating actions. The downside risks include a number of severe but plausible scenarios incorporating underperformance against the business plan, unexpected cash outflows and fewer new customers. Due to the company's scale-up of investments and strategic decision to increase it's bioprocessing facility, the Group requires additional financing in the form of equity financing, loan financing or other government finance initiatives in order to continue its operations and current capabilities.

Due to volatility in the financial markets created by the impact of the COVID-19 pandemic, fund raising through issuance of equity to the investment community as planned has become very difficult and the Group has not had the opportunity to raise funding in line with the originally planned timeline. Therefore, the Board has undertaken a much more rigorous review of the detailed cash flow forecast prepared as part of the going concern assessment process. The process identified that the Group would not be able to continue its activities for at least 12 months from the date of approval of these financial statements if the Group could not secure the external financing and continue to execute and recover known and expected revenues from existing customers under long term contracts, which are ongoing but still to be delivered or securing the benefit of any upfront receipts from licensing out the Group's intellectual property or win new customer contracts for process development and bioprocessing services.

Whilst it is difficult to estimate the impact of COVID-19 due to the rapidly changing nature of the pandemic, the cash flow forecasts include the Group's current assumptions, taking into account the severe but plausible downsides. The assumptions include a reduction in revenues by almost 30% (fewer new customer, lower demand from existing customers and reduction in milestones), a reduction in associated costs and lower discretionary capital expenditure.

If the Group is unable to the secure the external financing and receipt the revenues described above, it has assessed that it would not be able to generate sufficient cash flows to support its level of activities beyond the third quarter of 2020. The above situation gives rise to a material uncertainty, as defined in auditing and accounting standards, related to events or conditions that may cast significant doubt on

the entity's ability to continue as a going concern and in such circumstances, it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

However, despite the above uncertainties, the Board has the confidence that the accounts should be prepared on a going concern basis for the following reasons:

- the Group has key worker status which allows continuity of providing services to the Group's financially stable customer base throughout the lockdown period
- the Group's ability to continue to be successful in winning new customers and building its brand as demonstrated by:
  - signing the substantial license, manufacturing and development agreement with Juno (BMS) in March 2020,
  - Joining a Consortium led by the Jenner Institute, Oxford University, to rapidly develop, scale-up and manufacture a potential vaccine candidate for COVID-19, with Government support for the funding of the project expected.
- the Group's ability to potentially access the Government Coronavirus Business Interruption Loan Scheme and also external debt finance as required,
- the Group's history of being able to access capital markets and,
- the Group's ability to control capital expenditure costs and lower other operational spend, as necessary.

Therefore the Directors have continued to adopt the going concern basis of preparation in the financial statements.

Although the UK's decision to leave the European Union may significantly affect the fiscal, monetary and regulatory landscape in the UK, the Group has assessed the future impact of Brexit on its operations to be minor.

2 Critical accounting judgements and estimates

In applying the Group's accounting policies, management is required to make judgements and assumptions concerning the future in a number of areas. Actual results may be different from those estimated using these judgements and assumptions. The key sources of estimation uncertainty and the critical accounting judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key accounting matters

IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented in 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 2.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC

4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed in or after 1 January 2019

As a lessee

As a lessee, the Group leases property and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and reward incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases.

At the commencement or on modification of a contract that contain a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified property and IT equipment leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease incentives.

The Group tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Leases classified as finance leases under IAS 17

The Group had no leases that were previously classified as finance leases.

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities. The difference is due to adjustments related to any prepaid or accrued lease payments and lease incentives. The impact on transition is summarised below:

	Total £'000
Right-of-use assets	**6,355**
Prepayments	**4**
Accruals	**7**
Deferred income	**2,250**
Lease liabilities	**8,616**

When measuring lease liabilities for lease that were classified as operating lease, the Group discounted lease payments using a weighted-average rate of 8%:

	Total £'000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	**13,906**
Discounted using the incremental borrowing rates at 1 January 2019	**8,616**

Going concern
Management and the Directors have had to make estimates and important judgements when assessing the going concern status of the Group. The conclusions of these estimates and judgements are reported in Note 1 and the Financial Review.

Estimations
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The nature of estimation means that actual outcomes could differ from those estimates.

Lease liability discount rate
Since the rates implicit in our leases are not readily determinable, we use the Group's incremental borrowing rates (the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment) based on the information available at commencement date in determining the discount rate used to calculate the present value of lease payments. The rates have been determined using previously available information on borrowing rates as well as indicative borrowing rates that would be available to us based on the value, currency and borrowing term provided by financial institutions, adjusted for company and market specific factors. Although we do not expect our estimates of the incremental borrowing rates to generate material differences within a reasonable range of sensitivities, judgement is involved in selecting an appropriate rate, and the rate selected for each lease will have an impact on the value of the lease liability and corresponding right-of-use (ROU) asset in the Consolidated Statement of financial positions.

Percentage of completion of bioprocessing batch revenues
Bioprocessing of clinical/commercial product for partners is recognised on a percentage of completion basis over time as the processes are carried out. Progress is determined based on the achievement of verifiable stages of the bioprocessing process. Revenues are recognised on a percentage of completion basis and as such require judgement in terms of the assessment of the correct stage of completion including the expected costs of completion for that specific bioprocessing batch. The value of the revenue recognised and the related contract asset raised with regards to the bioprocessing batches which remain in progress at year end is £20,863,000. If the assessed percentage of completion was 10 percentage points higher or lower, revenue recognised in the period would have been £2,086,300 higher or lower.

Percentage of completion of fixed price process development revenues
As it satisfies its performance obligations the Group recognizes revenue and the related contract asset with regards to fixed price process development work packages. Revenues are recognised on a percentage of completion basis and as such require judgement in terms of the assessment of the correct percentage of completion for that specific process development work package. The value of the revenue

recognised and the related contract asset raised with regards to the work packages which remain in progress at year end is £5,447,000. If the assessed percentage of completion was 10 percentage points higher or lower, revenue recognised in the period would have been £540,000 higher or lower.

Provision for out of specification bioprocessing batches
Bioprocessing of clinical/commercial product for partners is recognised on a percentage of completion basis over time as the processes are carried out. Progress is determined based on the achievement of verifiable stages of the process.

As the Group has now been bioprocessing product across a number of years, and also in a commercial capacity, the Group has assessed the need to include an estimate of bioprocessed product for which revenue has previously been recognised and which may be reversed should the product go out of specification during the remaining period over which the product is bioprocessed. In calculating this estimate the Group has looked at historical rates of out of specification batches across the last four years, and has applied the percentage of out of specification batches to total batches produced across the assessed period to the revenue recognised on batches which have not yet completed the bioprocessing process at year end. This estimate, based on the historical percentage, may be significantly higher or lower depending on the number of bioprocessing batches actually going out of specification in future. If the historical percentage had been 10% higher or lower, the estimate would be £180,000 higher or lower. The estimate will increase or decrease based on the number of bioprocessing batches which go out of specification over the historic assessment period, but also the number of bioprocessing batches which have not yet completed the bioprocessing process at year end.

Consequently, bioprocessing revenue of £1.8 million (2018: nil) has not been recognised during 2019 (2018: Nil) with the corresponding credit to contract liabilities (note 20). This unrecognised revenue will be recognised as the batches complete bioprocessing, although batches bioprocessed in 2020 and beyond will be included in the estimate as they progress through the bioprocessing process.

Estimate and judgements: Potential litigation
The Group are currently aware of a potential claim and are assessing the facts and circumstances surrounding the possible outcomes, with the assistance of internal technical experts and external counsel, to determine the likelihood of the Group incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made. Considering the nature of the matter, there is an inherent judgement and a level of uncertainty in the revenue reversal and the quantum and timing of any cash outflows. The likely cost to the group of any litigation which may potentially be brought against the Group is subject to a number of significant uncertainties and these cannot be estimated reliably. Accordingly, no provision has been made in respect of this matter.

The Group have insurance cover, which they intend to use, however the Group cannot be confident to a highly probable level that the full extent of any potential claim would be covered, therefore no contingent asset has been recognised. Further detail is provided in Note 16.

3 Taxation

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the statement of comprehensive income for the year ended 31 December 2019 comprises the credit receivable by the Group for the year less overseas tax paid in the year. The United Kingdom corporation tax research and development credit is paid in arrears once tax returns have been filed and agreed. The tax credit recognised in the financial statements but not yet received is included in current tax assets in the Statement of financial position.

The amounts for 2019 have not yet been agreed with the relevant tax authorities.

	2019 £'000	2018 £'000
Current tax		
United Kingdom corporation tax research and development credit	**(5,018)**	(2,278)
Overseas taxation	**-**	-
	(5,018)	(2,278)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**473**	(528)
Current tax	**(4,545)**	(2,806)
Deferred tax		
Relating to the origination of timing differences	**(278)**	312
Adjustments in respect of prior periods	**-**	(33)
Deferred tax	**(278)**	279
Taxation Credit	**(4,823)**	(2,527)

The adjustment of current tax in respect of prior year of £473,000 (2018: £528,000) relates to a lower than anticipated tax receipt (£363,000), and an expected tax repayment relating to prior years (£110,000).

The Company has no tax liability, nor is it entitled to tax credits (2018: £nil).

4 Basic earnings/(loss) and diluted earnings per ordinary share

The basic loss per share of 22.10p (2018: earnings of 11.57p) has been calculated by dividing the (loss)/ earnings for the period by the weighted average number of shares in issue during the year ended 31 December 2019 (72,709,944; 2018: 65,188,414).

The Group made a loss for the period ended 31 December 2019. There is therefore no difference between the basic loss per ordinary share and the diluted loss per ordinary share in the period.

The diluted earnings per share in the prior period of 10.89p has been calculated by dividing the earnings for the period by the weighted average number of shares in issue during the period after adjusting for the dilutive effect of the share options and warrants outstanding at 31 December 2018 (69,242,901).

5 Intangible assets

Intangible assets comprise intellectual property rights.

	2019	2018
	£'000	£'000
Cost at 1 January	**5,636**	5,591
Additions	**-**	45
Cost at 31 December	**5,636**	5,636
Accumulated amortisation and impairment		
At 1 January	**5,519**	5,494
Amortisation charge for the year	**22**	25
Impairment charge for the year	**-**	-
At 31 December	**5,541**	5,519
Net book amount at 31 December	**95**	117

The Company had no intangibles at 31 December 2019 or 31 December 2018.

6 Property, plant and equipment

	Freehold property £'000	**Leasehold improve-ments £'000**	**Office equipment and computers £'000**	**Bioprocessing and Laboratory equipment £'000**	**Right of use asset £'000**	**Total £'000**
Cost						
At 1 January 2019	21,283	7,735	5,088	12,337	-	46,443
Adoption of IFRS 16 (Leases)	-	(1,263)	-	-	7,618	6,355
Additions at cost	144	15,436	2,681	7,513	3,782	29,556
Reclassification	-	-	(374)	374	-	-
Disposals	-	-	-	(50)	-	(50)
At 31 December 2019	**21,427**	**21,908**	**7,395**	**20,174**	**11,400**	**82,304**
Accumulated depreciation						
At 1 January 2019	6,324	1,450	2,416	4,462	-	14,652
Adoption of IFRS 16 (Leases)	-	(188)	-	-	188	-
Charge for the year	2,036	417	877	1,784	651	5,765
Reclassification	-	-	(239)	239	-	-
Disposals	-	-	-	(45)	-	(45)
At 31 December 2019	**8,360**	**1,679**	**3,054**	**6,440**	**839**	**20,372**
Net book amount at 31 December 2019	**13,067**	**20,229**	**4,341**	**13,734**	**10,561**	**61,932**

	Freehold property £'000	Leasehold improve-ments £'000	Office equipment and computers £'000	Bioprocessing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2018	21,171	4,689	3,179	6,651	35,690
Additions at cost	112	3,046	1,909	5,686	10,753
Disposals	-	-	-	-	-
At 31 December 2018	**21,283**	**7,735**	**5,088**	**12,337**	**46,443**
Accumulated depreciation					
At 1 January 2018	4,306	978	1,862	3,174	10,320
Charge for the year	2,018	472	554	1,288	4,332
Disposals	-	-	-	-	-
At 31 December 2018	**6,324**	**1,450**	**2,416**	**4,462**	**14,652**
Net book amount at 31 December 2018	**14,959**	**6,285**	**2,672**	**7,875**	**31,791**

7 Assets at fair value through profit & loss

Assets at fair value through profit & loss:	**2019 £'000**	2018 £'000
At 1 January	**-**	-
Reclassification of investment at fair value through profit & loss (note 8)	**10,966**	-
Costs to sell asset at fair value through profit & loss	**(94)**	-
Sale of shares	**(6,270)**	
Change in fair value of available-for-sale asset	**(1,883)**	-
At 31 December	**2,719**	-

8 Investments held at fair value through profit and loss

During the first half of 2019 the Group determined that the equity held in Orchard Therapeutics met the definition of an Asset at fair value through profit & loss under IFRS 5. As such, the equity investment was reclassified from Investments held at fair value through profit & loss (non-current assets) to Assets at fair value through profit & loss (current assets).

	2019 £'000	2018 £'000
At 1 January	**10,966**	2,954
Reclassification of investment as asset held at fair value through profit & loss (note 7)	**(10,966)**	-
Recognition of milestones	**-**	2,029
Revaluation of investments	**-**	5,983
At 31 December	**-**	10,966

9 Inventories

	2019 £'000	2018 £'000
Raw Materials	**2,579**	2,422
Work-in-progress	**-**	1,829
Total inventory	**2,579**	4,251

Inventories constitute raw materials held for commercial bioprocessing purposes, and work-in-progress inventory related to contractual bioprocessing obligations. The Group has no Work-in-progress at the end of 2019 due to the fact that during 2019 the Group changed its method of calculating the percentage of completion on bioprocessing batches to more accurately be measured, leading to the Work-in-progress balance being recognised as cost of sales in the statement of comprehensive income.

During the year, the Group wrote down £171,000 (2018: £288,000) of inventory which is not expected to be used in production or sold onwards. The Company holds no inventories.

10 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**12,766**	15,408
Contract assets	**13,406**	8,886
Other receivables	**563**	307
Other tax receivable	**1,537**	1,144
Prepayments	**1,773**	840
Total trade and other receivables	**30,045**	26,585

The fair value of trade and other receivables are the current book values. We have performed an impairment assessment under IFRS 9 and have concluded that the application of the expected credit loss model has had an immaterial impact on the level of impairment of receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £7,472,000 (2018: £1,768,000) which were past due at the reporting date and of which £5,450,000 has been received after the reporting date.

Contract assets relates to the Group's rights to consideration for work completed but not billed at the reporting date for Commercial Development work and Bioprocessing batches. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

A portion of contract assets relates to fixed price process development work packages which are recognised on a percentage of completion basis and as such requires estimation in terms of assessment of the correct percentage of completion for that specific work package. The value of the contract asset raised with regards to these work packages is £5,447,000. If the assessed percentage of completion was 1 percentage point higher or lower, revenue recognised in the period would have been £54,000 higher or lower.

Non-current trade and other receivables constitute other receivables of £3,605,000 (2018: £4,000,000) which consists of deposits held in escrow as part of the Windrush Innovation Centre and Oxbox lease arrangements.

11 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**7,311**	3,746
Other taxation and social security	**1,042**	770
Accruals	**5,944**	6,906
Total trade and other payables	**14,297**	11,422

12 Contract liabilities and deferred income

Contract liabilities and deferred income arise when the Group has received payment for services in excess of the stage of completion of the services being provided.

Contract liabilities and deferred income have decreased from £18.5 million at the end of 2018 to £14.9 million at the end of 2019 due to the recognition of process development income and capacity reservation revenues as the performance obligation was satisfied and the batches manufactured.

Contract liabilities consists primarily of deferred bioprocessing and process development revenue, and are expected to be released as the related performance obligations are satisfied over the period as described below:

Years	0-1 £'000	0-3 £'000	0-5 £'000	0-10 £'000	Total £'000
Contract liabilities	13,156	707	928	60	14,851
Bioprocessing income	8,380	675	-	-	9,055
Process development income	4,760	-	-	-	4,760
Licence fees and incentives	16	32	928	60	1,036
Deferred income	1,006	1,992	1,318	-	4,316
Lease incentives	-	-	-	-	-
Grant	1,006	1,992	1,318	-	4,316

Included within bioprocessing contract liabilities is revenue £1.8 million which has not been recognised during 2019 (2018: Nil) relating to the estimate of out of specification batches (refer note 2: 'Estimates' for additional information)

Deferred income relates to grant funding received from the UK Government for capital equipment purchased as part of the Oxbox bioprocessing facility expansion. The income will recognised over the period over which the purchased assets are depreciated.

The Company had no contract liabilities or deferred income in 2019 or 2018.

13 Loans

On 28 June 2019 the Group repaid its $55 million (£43.6 million) loan facility with Oaktree Capital Management ("Oaktree") financed through £53.5 million of equity issued to Novo Holdings in May 2019. The loan facility was fully repaid at a cost of £43.6 million plus a redemption fee of £0.9 million which forms part of interest payable within finance costs in the statement of comprehensive income, and the security over the assets of the Group was removed.

Prior to repayment the loan carried an interest rate of 9.0% plus US$ three month LIBOR, subject to a minimum of 1%. Subject to achieving certain conditions, the interest rate could have reduced by 0.25% in the second year and a further 0.25% in the third year. The loan was issued at an original discount of 2.5%, and under the agreement the Company has issued 2,689,686 (post consolidation) warrants to Oaktree. The terms also included financial covenants relating to the achievement of revenue targets and a requirement to hold a minimum of $2.5 million cash at all times. The Oaktree facility was secured by a pledge over substantially all of the Group's assets.

14 Provisions

	2019	2018
	£'000	£'000
At 1 January	**1,287**	630
Unwinding of discount	**58**	8
New Provision	**3,741**	-
Provision recognised	**-**	649
At 31 December	**5,086**	1,287

The dilapidations provisions relate to anticipated costs of restoring the leasehold Yarnton, Oxbox and Windrush Innovation Centre properties in Oxford, UK to their original condition at the end of the lease terms in 2024, 2033 and 2028 respectively, discounted using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2018. The provisions will be utilised at the end of the leases if they are not renewed.

In 2018 the Group signed the lease on its Oxbox bioprocessing facility in Oxford near to its Windrush laboratories in Oxford, UK. The new facility is 84,000 sq. ft (7,800 sqm). The Group's Phase I and planned Phase 2 expansion will fit out around 45,000 sq. ft (4,200 sqm) for four GMP clean room suites and two fill and finish suites as well as offices, warehousing and quality control laboratories, with space available for future expansion. A provision of £3,741, 000 was recognised at the end of 2019 for the cost of restoring this property to its original condition at the end of the lease term.

The Company had no provisions at 31 December 2019 or 31 December 2018.

15 Cash flows from operating activities

Reconciliation of loss before tax to net cash used in operations:

	2019	2018
	£'000	£'000
Continuing operations		
Operating profit /(loss)	**(14,467)**	13,915
Adjustment for:		
Depreciation	**5,765**	4,332
Amortisation of intangible assets	**22**	25
Loss on disposal of property, plant and equipment	**3**	
Charge for impairment	**-**	-
Charge in relation to employee share schemes	**2,247**	1,246
Non-cash gains	**1,883**	(8,012)
Changes in working capital:		
Increase in trade and other receivables	**(4,586)**	(14,559)
Increase in trade and other payables	**2,868**	2,732
Increase in deferred income	**1,533**	5,046
Increase in contract liabilities	**(3,634)**	5,400
Increase in provisions	**58**	8
Increase in inventory	**1,672**	(919)
Net cash generated from/(used in) operations	**(6,636)**	9,214

16 Events after the Statement of financial position date

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed, which has since spread across a significant number of countries, leading to disruption to businesses and economic activity that has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post Statement of financial position event and given the inherent uncertainties, it is not practicable at this time to determine the exact impact of COVID-19 on the Group or to provide a quantitative estimate of the impact. The broader political and economic uncertainty coupled with the potential future impact on the Group of the recent COVID-19 outbreak has been factored into the scenarios considered as part of the Group's adoption of the going concern basis in the preparation of the Group's financial statements (refer note 1).

Contingent Liability

The Group routinely enters into a range of contractual arrangements in the ordinary course of business which may give rise to claims or potential litigation against the Group.

Subsequent to year end the Group identified an issue regarding an aspect of certain process development work performed on behalf of a customer in 2018 and 2019 which potentially could give rise to a material claim against the Group. The Group has been in communication with the third party but is not yet in a position to verify or validate any information relating to this matter due to the very recent timing of this issue being identified.

As at 31 December 2019, the Group regards this matter as an adjusting post Statement of financial position event (IAS10) and has assessed the performance obligations for which the revenue has been recognised and reversed all potentially affected revenues relating to the work packages with the liability recognised within Contract liabilities due within one year.

In addition, the Group expects that the potential liability arising with regards to the affected work packages will be extinguished either through re-performance of the affected work packages, or ultimately form part of any potential claim. If a claim were to materialise, the Group estimates the range of all potential costs could be between £250,000 and £1,000,000. However, as there is no such claim to date and given the early stage of the investigation into the cause, no liability has been recognised at the Statement of financial position date, as in management's opinion it is too early to consider the above estimate sufficiently reliable to recognise a provision (if any) in respect of this matter. The assessment required is inherently judgemental, and there is a risk that the final settlements are materially different to the range provided above or do not include all claims and therefore the amounts may be understated. A contingent asset could potentially exist within the financial statements for the insurance cover that the group maintains, however the Group cannot determine the extent of any cover until further investigation is undertaken as necessary. On this basis it is too early to assess the likelihood of an asset arising, therefore no contingent asset has been recognised.

No other amounts have been provided for in respect of this matter.